BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268–0001

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MAILING ONLINE SERVICE

Docket No. MC98–1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS GARVEY TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
REDIRECTED FROM WITNESS PLUNKETT
(OCA/USPS–T5–40(C), 41–43, AND 46)

The United States Postal Service hereby provides the responses of witness

Garvey to the following interrogatories of the Office of the Consumer Advocate: OCA/

USPS–T5–40(c), 41–43, and 46, filed on November 6, 1998, and redirected from
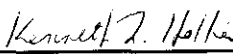
witness Plunkett.

Each interrogatory is stated verbatim and is followed by the response.
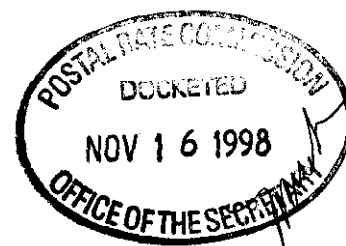
Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Kenneth J. Hollies

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November 16, 1998

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OFFICE OF THE SECRETARY

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OCA/USPS-T5-40. Please refer to your testimony at page 2.

. . .

c.   Please confirm that the single fee quoted to a customer for each Mailing
        Online job, consisting of pre-mailing service costs, a 25 percent mark-up
        and postage, is calculated by computer at the San Mateo processing
        center. If you do not confirm, please explain.

RESPONSE:

c.   Confirmed that the fees quoted are calculated by computer at the San
Mateo data center; not confirmed that a single fee is quoted. Customers receive
a two-part quote, pre-mailing fees and postage costs, which are then totaled for
payment processing.

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OCA/USPS-T5-41. Please refer to your testimony at page 11, lines 2-5, and the following quote from PRC Op. MC98-1, at 13-14.

> All Mailing Online mail that undergoes batching is expected to have lower mailstream cost characteristics than it has at the time that it is submitted by the customer. [footnote omitted] The Postal Service recognizes that a system that reduces the mailstream cost of mail after it is submitted by the mailer but before the Postal Service enters it into the mailstream gives rise to a number of practical pricing problems. If the Mailing Online customer were charged the mailstream rate that its mailing could qualify for under the regular schedule at the time that it submits its mailing, the mailer would go uncompensated for the reduction in mailstream costs that its purchase of Mailing Online service enhancements made possible. Alternatively, if Mailing Online customers were not quoted a mailstream price until after they placed their orders and the mailstream costs of the batches formed with their orders were calculated, customers disappointed by the quoted prices could reject them and cancel their orders. This would undo batches that were tentatively formed, and disrupt the calculation of mailstream rates for other mailings that contributed to the tentative batches. Tr. 2/567, Postal Service Brief at 13.

. . .

c.   Please confirm that the Postal Service agrees with the third sentence in the passage quoted above. If you do not confirm, please explain.

d.   Please confirm that the Postal Service agrees with the fourth and fifth sentences in the passage quoted above. If you do not confirm, please explain.

RESPONSE:

c.   I can confirm that reductions in mailstream costs arising from address verification and standardization and from delivery point barcoding, would not be reflected in single-piece rates that might be charged to customers.

d.   Confirmed. These sentences reflect issues that guided the Postal Service's decisions regarding the structure of Mailing Online service.

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OCA/USPS-T5-42. Please refer to your response to MASA/USPS-T5-3.

a.   Please confirm that the Postal Service calculates separate charges for
        pre-mailing services for the portion of the Mailing Online mailing sent to
        each print site. If you do not confirm, please explain.
b.   Please confirm that charging postage to a Mailing Online customer at the
        lowest rate for which the mailing would qualify if the customer had
        presented it to the Postal Service directly in hard copy is feasible. If you
        do not confirm, please explain.
c.   Please explain why the Postal Service cannot offer a firm discounted
        postage charge for a specific mailing based on historical experience with
        batching and presorting of that particular job-type/page-count category.

RESPONSE:

a.   Confirmed.

b.   I can confirm the possibility of such a software reconfiguration, but not its

        feasibility.

c.   See my response to OCA/USPS-T1-62(d).

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OCA/USPS-T5-43. Please refer to your response to MASA/USPS-T5-3. Your
response states that

> Charging postage to reflect each customer's portion of the batched
> Mailing Online mailing also would require separate determination of
> the presort for each portion of the mailing.

a. Please identify all technical issues (e.g., computer programming, software
development, etc.), if any, that would preclude the Postal Service from
charging postage based upon a separate determination of the presort for
each portion of the mailing.
b. Please compare and contrast the technical issues identified in part (a) of
this interrogatory to the technical issues associated with determining the
charges for pre-mailing services to reflect each customer's portion of that
batched Mailing Online mailing.
c. Please explain why the technical issues identified in part (a) of this
interrogatory are more or less difficult or insolvable than the technical
issues associated with determining the charges for pre-mailing services to
reflect each print site utilized by each customer's Mailing Online mailing.

RESPONSE:

a.   See Attachment 1 to the response to OCA/USPS-T1-56 for a

statement from the developer regarding technical issues precluding the

use of such a system. Note that system performance, cost and

complexity are significantly affected.

b-c.   Since table-driven pre-mailing fee calculations are being performed

real-time when each customer's job is submitted, the technical challenge

consists of updating tables accurately and quickly. See my response

OCA/USPS-T1-59. The difficulty of the scenario in part (a) is that the

customer must pay online (presumably full rate) but presort

determinations cannot be performed until batching is complete and

presorting takes place for all print site batches. Each customer's

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qualifying mailpieces must then be individually evaluated for

rebating/crediting purposes, and those credits must be gathered and a

transaction performed to adjust every affected customer's account.

Customer accounting, data gathering and data storage all present

formidable challenges. While the OCA is certainly free to propose such a

business model, that is not the one the Postal Service has determined is

necessary to meet its strategic needs. See my response to Notice of

Inquiry No. 1, Issue 2.

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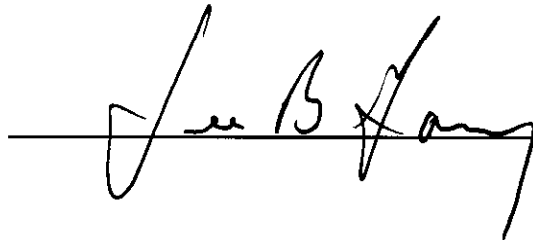REDIRECTED FROM WITNESS PLUNKETT

OCA/USPS-T5-46. Please provide a flow chart detailing how the Mailing Online system software calculates the charge for pre-mailing services for submitted jobs. Please provide the computer code used by the system software to calculate the charge for pre-mailing services for submitted jobs.

RESPONSE:

See my response to OCA/USPS T5-33.

DECLARATION

I, Lee Garvey, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.
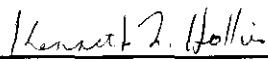
Dated: ___November 16, 1998___

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all

participants of record in this proceeding in accordance with section 12 of the Rules of

Practice.

Kenneth N. Hollies

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